


CO-OPERATIVES AS EMPLOYMENT OPTIONS FOR DISABLED PEOPLE

Working Party Report

•WORKPLACE DEMOCRACY•

The Co-operative Way.

MINISTRY OF EMPLOYMENT AND TRAINING



CO-OPERATIVES AS EMPLOYMENT OPTIONS FOR DISABLED PEOPLE

1 Title of this Discussion Paper

The Ministry of Employment and Training requested the Working Party to complete a discussion paper entitled "Co-operatives and the Disabled". Members of the Working Party decided to change the title to one that more accurately reflected their approaches.

2 Definition - What is a Co-operative?

A co-operative is a group of people who have joined together to meet or provide specific services particular needs and who have chosen a co-operative structure and who have or intend to register as a co-operative under the Co-operation Act of 1981.

Co-operative Principles

In order to decide if a co-operative is the best structure for a group - must look at the basic internationally agreed co-operative principles

2.1 Open Membership

The principle of open membership encompasses voluntary membership, no discrimination on the basis of politics, race, religion, creed and sex and open to all individuals who can make use of services and will accept the responsibilities of membership.

2.2 Democratic Structure

The principle of democratic structure encompasses equal voting rights (one member, one vote) irrespective of capital investment. Members participate in decisions affecting the co-operative and members

2.3 Limited Interest On Share Capital

This principle encompasses groups working with capital and not for capital, a fair but limited reward for capital and restricting the influence of investment. Shares are of one class, do not appreciate or depreciate and retain their original value.

2.4 Return of Surplus to Members

In the event of making a surplus and after making the required allocation of 5% to reserves, any surplus could be distributed to members in (i) the form of a bonus or rebate usually in proportion to each member's trade with the co-operative and/or (ii) a dividend on shares held with co-operative. The surplus does not, however, have to be distributed to members.

2.5 Education and Training

Education is critical in determining the ability of co-operatives to successfully apply co-operative philosophy in practice. Appropriate co-operative education and training is critical in determining whether or not a co-operative will survive. Co-operatives are particularly concerned with improving the skills of managers and directors.

2.6 Co-operation Between Co-operatives

This principle encompasses the philosophy of mutual support co-operatives sharing education and training activities, trading between co-operatives and assisting the development of the co-operative sector.(1)

3 Introduction

The emphasis of the Working Party was to investigate co-operatives as an alternative form of employment among disabled persons, to attempt to provide and encourage a change of emphasis from placing people in sheltered employment.

- 3.1 There are many services for disabled people that are disappearing, or are in short supply in our community due to changing technology and the mass production mentality in the modern world. For example, the footwear industry, where it is difficult to buy all leather (including sole and heel) shoes in under size 6. Many physically disabled people are small in stature, they are often advised to buy all leather shoes for use with callipers.

In the footwear industry, there is also a dying breed of surgical shoemakers. As the industry in general is being eroded by cheap imports, and with the introduction of so much synthetic, throw away footwear, fewer people are going into the industry. This affects disabled people more than the general community because there is a need for specialists to make shoes with build-ups, straps of odd sizes and shapes for conditions such as club feet.

- 3.2 These are example of some areas in which co-operatives run by disabled people could provide viable, socially useful work. This could in turn lead to less unemployment among disabled people, cheaper provision of aids to disabled people and consequent savings to government through pension reductions and outlays, savings on unemployment benefit, sheltered employment subsidies and the supply of aids and equipment through such schemes as the "Program of Aids to Disabled People" and the state based scheme for Polio affected people.
- 3.3 The Co-operative Development Program of the Ministry of Employment and Training is set up to provide encouragement to groups of people who want to form co-operatives. Assistance in the areas of training, feasibility studies and capital grants are already available. Disabled people could, indeed one group already has, taken advantage of this program.

-
- (1) The section on Co-operative principles has been taken from a leaflet prepared by the Co-operative Development Program of the Ministry of Employment and Training, Victoria.

However, were it to work on any but the minutest scale, the resources of the Co-operative Development Program would need to be greatly expanded.

- 3.4 Unions also have a role to play if disabled people are to move out of sheltered employment and environments into co-operatives. Every effort should be made to ensure that those disabled employees in co-operatives receive wages and conditions comparable to open employment, otherwise co-operatives might become just another type of sheltered workshop.

An area of concern would be occupational health and safety. Peer group pressure may avoid or stifle complaints about unsafe equipment or a lack of fire escapes. However, a discrete request for a union visit would ensure action. Co-operatives are known to have workers employed officially on award wages and conditions, but to get around this by expecting everyone to make sacrifices. Indeed, such mutual agreements are often crucial to their survival, particularly at early stages.

- 3.5 Employment gives (most of us) a sense of achievement and pride in ourselves. Unfortunately, many disabled people at home on the pension, or attending activity therapy centres and sheltered workshops, lack pride, confidence or a sense of achievement. Co-operatives may be a way of rectifying this situation. This could be done through better wages, or feeling useful or having an equal say in the running of the co-operative, or a combination of all three.
- 3.6 The disabled population would appear to have a larger proportion of unskilled people (in both educational and physical ability) than other groups in the community. The welfare industry that controls the lives of so many disabled people appears to recognise the need to change direction in both the delivery of services and employment to disabled people. The reality is that there has been little change, due, at least in part, to the structures of government funding for these organisations. The Government, via co-operatives, could assist in the immediate future to provide assistance to disabled people, so they and the community at large could benefit from their under-used skills, and encourage socially useful work.
- 3.7 Co-operatives should be viewed as a positive option for disabled persons to obtain employment or specialised services. If this is to be a realistic alternative, it is important to look at the problems and pitfalls that affect the co-operative movement as a whole, to assess if those difficulties are increased for disabled people, and if so, how to encourage the participation of disabled persons into the co-operative movement.

4 Starting A Business

The idea of running your own business appeals to many people. Deciding on the product or service to be marketed is the first step; for disabled people this could be a service industry for other disabled people (where there are many unmet needs), it could be an outlet for products manufactured by disabled people, or something that has nothing to do with disability at all.

The next most important step is the form the business is to take; whether it should be a company, a partnership, a co-operative or an incorporated association.

4.1 Why a Co-operative

Co-operatives are usually formed by a group of people with a common idea for a service or product to be marketed who also prefer the philosophy of co-operation to the more purely profit orientation of a company. Co-operatives have the advantage that each member has an equal say in the decision making process; all directors must be members, their liability being limited to the level of the membership fee.

For many disabled people, the degree of control which could be exercised in these structures is poles apart from the powerlessness they have experienced in institutions.

4.2 Where to from here

If a group of disabled people decided they like the concept of forming a co-operative, the next step is contacting the appropriate department. Co-operatives appear not to be as well known or understood by Victorians as other employment and/or business ventures. This is partly due to a lack of publicity and education about co-operatives. The problem then for a group of disabled people may be lack of knowledge about where to go for more information.

- 4.2.1 This is an area requiring more effort from governments. The Ministries of Housing, Employment and Training and the Education Department should co-operate to introduce into schools (via commercial, legal and business studies) more information about co-operatives.
- 4.2.2 At Technical Schools and through apprenticeships courses, more information should be taught to the tradespeople of the future.
- 4.2.3 For disabled people and other disadvantaged groups, education should take in the special needs of each group.
- 4.2.4 To encourage more participation in co-operatives by disabled people and other disadvantaged groups, the self-help press should be used for publicity.
- 4.2.5 Spain's Mondragon group of co-operatives, for example, provides an education in co-operatives for 6,000 students at nursery, primary and secondary schools, which themselves are co-operatives. The system includes an internationally famous technical school, where courses are adjusted for technological changes, to suit the needs of the Mondragon co-operatives. (See Co-operative Seminar Papers, The Development of the Co-operative Movement in Victoria, June 1984.)

4.2.6 A further step that appears to be needed is for the individuals or groups of adults who have already left school. If they are interested in forming or joining co-operatives, there is a need for a central resource point. The Working Party recommends the Government fund a Co-operatives Information Office and extensively advertise its existence. The office should be in a wheelchair accessible building in a prominent central location. It should develop an outreach program for the promotion of co-operative principles in the community. Information should be in forms appropriate to people with different types of disabilities.

4.3 For those groups that do contact the Ministry of Employment and Training or the Ministry of Housing to find out more about co-operatives, there are many steps to be taken before their co-operative can be operational.

A decision has to be made on the type of co-operative:

4.3.1 Consumer Co-operatives

Where people co-operate to provide a service, e.g., Housing or rental, retail goods.

4.3.2 Trader Co-operatives

Where the labour resources of members are pooled to trade in goods and services, e.g., Industrial

4.3.3 Agricultural Co-operatives

Where the labour resources are pooled to produce goods for sale.

4.3.4 Credit Co-operatives

Where finances are pooled. E.g., Credit Unions, Permanent Building Societies.

4.3.5 Community Advancement Co-operatives

For "non profit" in the area of community services.

Worker Co-operatives can be incorporated as either Trade, Producer or Community Advancement Co-operatives, depending on the type of activity.

It was principally the Worker Co-operative model which interested the Working Party.

In Victoria there are presently about 3,400 Co-operatives; these are mainly community advancement, consumer, credit and product marketing co-operatives. By comparison there are very few worker co-operatives or rental housing co-operatives, and only one example known to the working party of a co-operative involving a group of disabled people.

5 Courses and Government Assistance

If the co-operative or group intending to form a co-operative wishes to gain financial assistance from the Co-operative Development Program, it is customary for the members to take courses organised by Preston College of T.A.F.E.. The only exception to this rule, and the Working Party is not aware of any, would be a group that was thoroughly familiar with co-operative principles and had developed a Business Plan that was considered sufficiently detailed and comprehensive to be acceptable to the Co-operative Development Program.

- 5.1 The courses are "The Intenders Course" and "The New Enterprise Course". The aims of the first are to introduce members to the principles of co-operatives, their structures and requirements for successful operation; the second is concerned with the detailed preparation of the Business Plan, including feasibility research. There is also further support offered in the form of access to consultants in the early stages of operation plus those undertaking courses are paid wages according to an appropriate award while attending.
- 5.2 Two issues of concern have been reported to the Working Party. The first is the time lag in the preparation phase leading up to and between these courses; the resulting frustration can cause members to lose interest and drop out. The other is the relatively few co-operatives which have received financial support as a proportion of those which have become involved. The impression is that the limited allocations of funding to this area, plus uncertainty about demands on the Program from already existing co-operatives, has resulted in many new ventures receiving considerable initial encouragement only to be subsequently disappointed over funding decisions. There is a danger that the program could move towards funding only "no risk" ventures. This would serve to compound the difficulties faced by disadvantaged groups in starting a new and innovative enterprise.
- 5.3 Some of the courses have been held in buildings which are not accessible to physically disabled people. However, the Working Party is assured that courses can be and have been held in more accessible locations if disabled people wish to be involved. The courses are also available in regional centres outside Melbourne. In order to encourage disabled people to be involved, the Ministry of Employment and Training should also consider the provision of a "loop system" or interpreters for people with hearing impairment, and material on tape or in braille for visually impaired people.

6 Feasibility Study and the Business Plan

It is recognised that the Government requires both feasibility studies and business plans to safeguard the expenditure of public money, and to try to ensure that co-operative enterprises run successfully. Nevertheless, it should be recognised that the skills required to carry out the studies and draw up such plans are in short supply among disadvantaged groups. It would be appropriate therefore, for the Ministry of Employment and Training to consider financial assistance to groups of disabled people in the early preparatory stages of developing a co-operative proposal.

Thus, on receipt of an application which the Co-operative Development Program considers worth further development, the equivalent of a full-time wage could be paid to the group to support its activities in developing the proposal up to the point of the group starting the New Enterprise Course. Without this level of support for disabled people to acquire the necessary confidence and skills to do these things for themselves, few groups will make it to the stage of completing these tasks.

7 The Raising of Capital

For disabled people intending to start a co-operative, capital is obviously a problem. Those approved by the Co-operative Development Program do and presumably will receive funding to capitalise their projects. Because of the limited resources of the Program, doubts arise about its ability to provide extra capital which is sometimes needed to ensure viability or enable expansion.

7.1 Raising Capital from Shares

This is more difficult for a co-operative than a company, as the return to shareholders is limited, as is voting control by investors. In the different forms of co-operatives, dividends are shared in the following ways:

- 7.1.1 In Trader co-operatives dividends are distributed according to work contributed.
- 7.1.2 In Retail co-operatives dividends are distributed according to the value of goods purchased.
- 7.1.3 In Agricultural co-operatives the dividends are in proportion to the value of farm produce supplied.
- 7.1.4 In Housing or Rental co-operatives in the form of reduced rents or improved living conditions.
- 7.1.5 In Credit co-operatives in the form of cheaper loans or higher savings interest.
- 7.1.6 In Community advancement co-operatives profits are reinvested into the co-operative, and no dividends are paid to members.

Recommendation

The Working Party recommends legislative reform aimed at encouraging reinvestment in co-operatives by allowing the issue of non-voting shares, as that would allow improved income from capital, but would still retain the principles of one vote per member.

7.2 Loans from Financial Institutions

Are difficult for many co-operatives to obtain unless they have sufficient collateral already controlled by the group. For low or fixed income people starting a co-operative, loans are virtually impossible, unless some members are willing to risk their personal collateral like a house or an insurance policy.

Recommendation

The Working Party stresses the need for a Co-operative Bank that would have written into its charter the obligation to devote a fixed percentage of funds to co-operatives of disadvantaged groups and groups such as worker co-operatives which would involve a risk factor not generally acceptable to financial institutions. It may be necessary for the Government to underwrite this component.

7.3 Tax Deductability

Is seen by the Working Party as a way to encourage donations to raise capital for community useful worker co-operatives. For example, co-operatives to provide services required by disabled people, or essential products for a limited market, and are not necessarily profit oriented.

The legal advice to the Working Party is that tax deductability would be possible under present legislation for "community advancement societies". The approval would have to come from the Deputy Commissioner of Taxation, after a submission from the society proving that its activities fell within the same guidelines as a trust for charitable purposes.

The following conditions have to be adhered to in order for a community advancement society to be registered for tax deductability:

- 1 "Non-profit" in that all profits are reinvested via a capital reserve fund.
- 2 Directors cannot be paid a fee.
- 3 Dividends are not paid to members.
- 4 Money cannot be loaned.
- 5 Subject to an annual audit.
- 6 Duty to hold an Annual General Meeting.
- 7 On winding up, all assets must be transferred to another designated charity.

Recommendations

The Working Party recommends that the Australian Government introduce tax reforms to allow tax deductability for all non-profit co-operatives that provide positive social benefits in the provision of goods and services.

The Working party has also been advised that community advancement societies could also obtain tax relief in the areas of sales tax exemption, payroll tax exemption, Government bank account charges and tax free Government grants.

8 Disabled People in Co-operatives

In view of the Working Party, the important social benefits of involving disabled people in co-operatives should be to improve their confidence, their pride in their own achievements, and a better quality of life than that which exists for many in sheltered employment at present.

The Working Party also wanted to stress that the involvement of disabled people in co-operatives should not necessarily mean "disabled people only" co-operatives. Whilst supporting disabled groups wanting to form co-operatives together, the Working Party also recognises the benefits of integrated co-operatives.

The problem arises here in determining a basis for the Co-operative Development Program to decide which groups should receive special consideration. It is not appropriate to use a simple mathematical formula like the percentage of disabled people involved. The Working Party suggests that the following criteria should apply:

- 1 The group should have as one of its primary aims the employment of disabled people, and/or the provision of services for disabled people.
- 2 The group's charter should include a commitment to affirmative action and equal opportunity in its employment practices.
- 3 The group should be able to demonstrate co-operative principles such that the involvement of disabled people in decision making is guaranteed in both the structure and practices of the co-operative.

If the group is not primarily concerned with disability services, then only the last two conditions should apply. These should be an adequate safeguard against the sort of tokenism that would seek to include disabled people merely as a ploy to get funding.

- 8.1 Co-operatives for disabled people must not be viewed as amateurish or "Mickey Mouse" projects. This does not mean, however, that their viability should be judged by the level of profit, but rather by their contribution to the community at large.

A distinction should be made here between co-operatives involving disabled people which are set up to trade, in which case they would need to operate at some level of profit in order to remain viable, and co-operatives set up to provide services for disabled people, organised and controlled by disabled people, but primarily operating on public funding and hence non-profit oriented.

The Associations Incorporation Act 1983 is a somewhat simpler alternative for incorporating a non-profit community group.

Recommendation

In order to allow people working in co-operatives to control their own affairs, the Co-operatives Act should be amended (Sections 103.9.10-11) so there are no limitations on the number of workers who may become directors.

The present co-operative rules involving the number of employees who can be directors, acts as an obstacle to any small group of people who want to start an enterprise and control it themselves.

In practice, the Registrar of Co-operatives has tended to ignore this provision in some cases; it is, nevertheless, an anomaly which should be rectified.

- 8.2 For some disabled people, co-operatives may be a change of open employment, for others a way out of sheltered employment, and for others a chance to work instead of remaining on unemployment benefits.
- 8.3 Benefits to the community may include such things as services to assist other disabled people to retain their independence, e.g., a wheelchair maintenance service along the lines of an R.A.C.V. road service.

Another benefit for some disabled people could be low cost tailored clothes, a service that would raise the confidence of disabled people who have difficulty finding or buying clothes that fit (due to muscle wastage, amputations, spinal curvature, different length of limbs, etc.).

Some disability groups such as diabetics have special purchasing problems. Possibly a one stop shop for diabetic food and products such as recipe books, tablets, testing equipment, syringes, etc., may be a possibility.

- 8.4 Social Security Limits - for some disabled people the loss of a pension would not worry them, so long as they could earn the equivalent amount of money elsewhere. The major loss would be the fringe benefits which can be worth up to \$144.00 per week, according to the recent report "Pensioner Fringe Benefits : their Range, Cost and Value", prepared by the Social Welfare Policy Secretariat, a body within the Department of Social Security. (This, of course, is the extreme case whereby someone would make use of every Federal and State concession, as well as those provided from private sources.)

A problem could arise from the practice in most co-operative structures of paying dividends in an annual lump sum. If the Department of Social Security regards that lump sum as payment over a week month or quarter, a disabled person could lose fringe benefits.

Recommendation

To encourage the movement of disabled people into open employment, the Department of Social Security should extend the time that people can retain fringe benefits from one up to three years.

- 8.5 Just as there is discrimination against disabled people in industry, it may also occur in a co-operative - particularly in regard to promotion and pay. The problem is that the person being discriminated against is also a member, and hence technically an employer as well as an employee.

Legal advice given to the Working Party indicates that someone in this situation would have recourse to the Equal Opportunity Board. If people always behave in a co-operative manner, such things would not occur. However, they may, and discrimination taking subtler forms is more difficult to establish but is just as real.

DISCUSSION PAPER NO. 3CO-OPERATIVES AS EMPLOYMENT OPTIONS FOR DISABLED PEOPLESUMMARY OF RECOMMENDATIONSInformation

- 1 That the Government fund a "Co-operatives Information Office" which would actively seek participation by disabled people in co-operatives.
(refer Section 4.2.6)

Education

- 2 That material about co-operatives be included in school curricula and apprenticeship courses.
(refer Section 4.2.1 - 4.2.3)
- 3 That courses about co-operatives be held in locations that are accessible and aids should be available to facilitate involvement by people with different sorts of disabilities.
(refer Section 5.3)

Administrative

- 4 That the Ministry of Employment and Training take action to ensure that time delays in processing applications for Co-operative Development program assistance are minimised.
(refer Section 5.2)
- 5 That the resources available to the Co-operative Development Program be expanded to allow it to cater for demand in this area.
(refer Section 5.2 and 8)
- 6 That financial support be made available to co-operative intenders from disadvantaged groups in the initial planning phases of their enterprises.
(refer Section 6)

Capital

- 7 That legislation to allow non-voting shares in Co-operatives be enacted to encourage capital investment in them.
(refer Section 7.1)
- 8 That the Government, together with the Co-operative movement, establish a Co-operative Bank, with a charter ensuring that co-operatives of people from disadvantaged groups are guaranteed access to funds.
(refer Section 7.2)
- 9 That the Australian Government investigate the introduction of tax deductability for all non-profit Co-operatives that provide socially useful work.
(refer Section 7.3)

Pensions

- 10 That the Department of Social Security regard any annual dividends received from co-operatives by co-operative members in receipt of pensions and/or fringe benefits, as payments to be averaged over 52 weeks.
(refer Section 8.6)
- 11 That the Department of Social Security extend from one year to three years the period whereby a disabled person may retain fringe benefits after entering open employment. This would form an incentive for disabled people to move into co-operative ventures.
(refer Section 8.6)